



# Office of Inspector General

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## Statement

Before the Subcommittee on VA, HUD and  
Independent Agencies  
Committee on Appropriations  
U.S. House of Representatives

## Office of Inspector General Fiscal Year 2002 Appropriation Request

Statement of Gaston L. Gianni, Jr.  
Inspector General

**Mr. Chairman and Members of the Subcommittee:**

I appreciate the opportunity to appear before this Subcommittee to discuss the fiscal year 2002 budget request for the Office of Inspector General (OIG) of the Federal Deposit Insurance Corporation (FDIC). This request will be our fifth year as an appropriated office.

### ***FDIC OIG Funding History***

The FDIC OIG has had an appropriated budget since fiscal year 1998 in accordance with Section 1105(a) of Title 31, United States Code, and is the only annually appropriated entity in the Corporation.<sup>1</sup> Our proposed fiscal year 2002 budget for \$33,661,000 is the same as the fiscal year 2001 budget, notwithstanding increases in per person salary and benefits expenses, and represents a decrease of three full-time equivalent positions. OIG budgets have decreased or remained the same in 4 of the 5 years of the OIG's appropriation. Yet, the net savings to the Corporation, comparing actual and potential monetary benefits from our work to our cost, have averaged about \$12 million annually over the last 4 years. We continue to make staffing reductions consistent with downsizing plans initially developed in 1996 and updated in 2000. Our proposed budget will require us to work more efficiently yet permit us to continue

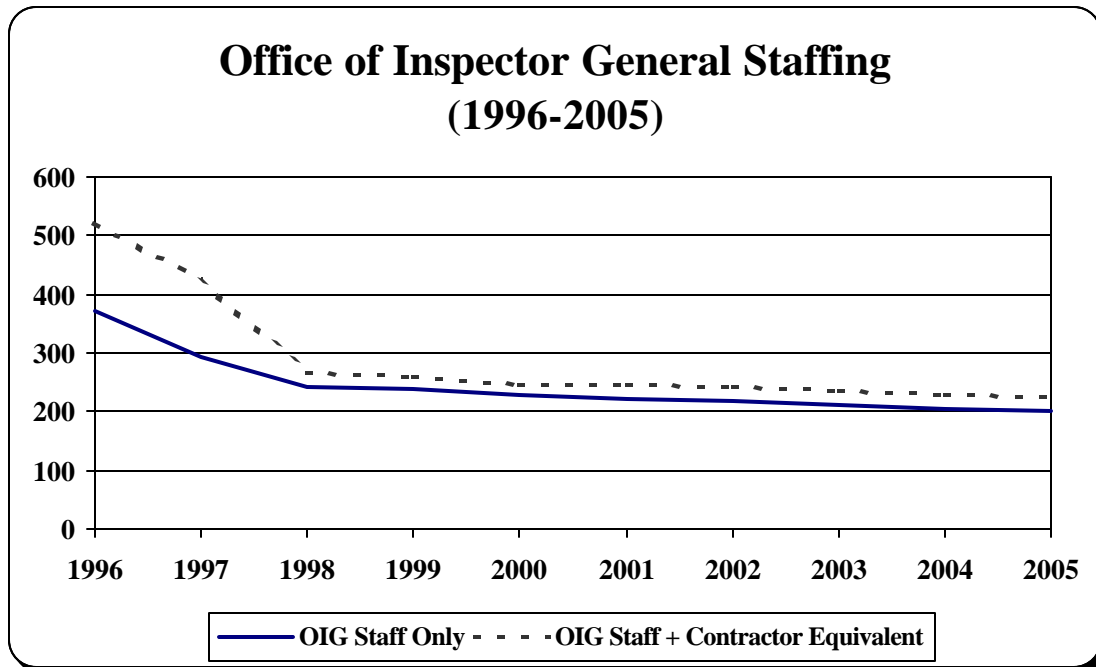
focusing on the risks to the Corporation and move aggressively to keep pace with other developments. The appropriation to fund OIG expenses is derived from the Bank Insurance Fund (BIF), the Savings Association Insurance Fund (SAIF), and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund.

The proposed appropriation will fund 223 full-time equivalent staff. The following graph depicts the OIG's staffing since 1996, which was at 370 when the Resolution Trust Corporation OIG

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<sup>1</sup> Prior to fiscal year 1998, the OIG budget was part of the FDIC annual operating budget approved by the Board of Directors from deposit insurance funds and other funds under the Board's stewardship.

merged into our office, and shows the OIG plans to continue downsizing through 2005, at which time our staffing will be 200.



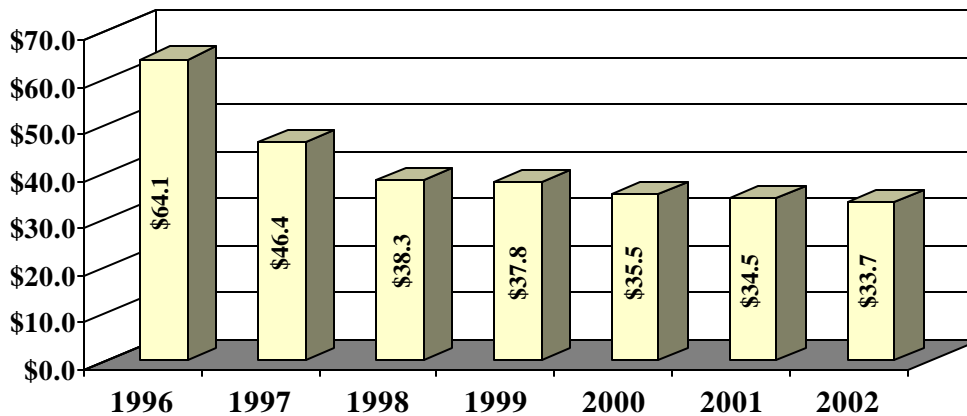
The proposed fiscal year 2002 budget is 47 percent less than the FDIC OIG's 1996 corporate budget, adjusted for inflation. The budget and staffing reductions have been possible due to the shrinking size of the FDIC, completion of the carryover work from the Resolution Trust Corporation, and prospects for the continuing strength of the banking industry. The following chart shows the impact of the OIG's downsizing efforts on annual budgets.

## Office of Inspector General

### Budget History 1996-2002

(Adjusted to Fiscal Year 2002 Dollars)

(In millions of dollars)



Note: Budgets for 1996-1997 are by calendar year and budgets for 1998-2002 are by fiscal year.

### ***The FDIC – A Long History of Success***

The FDIC was created by the Congress through the Banking Act of 1933 to provide protection for bank depositors and to foster sound banking practices. During the period 1988 through 1992, the BIF reported net losses totaling \$25.3 billion, the first losses since the Great Depression. In every year since that period, except for 1999, the insurance fund income has been positive. Bank failures last year cost the BIF and SAIF about \$40 million, and the fund finished 2000 larger than it was at the end of 1999. The BIF and SAIF maintained a reserve of \$41.8 billion as of December 31, 2000.

Given the overall stability of the banking system in more recent years, the FDIC has been able to shift its focus quite significantly. Rather than managing and resolving failed institutions as it did during the 1980s and into the 1990s, the FDIC and OIG's focus now is on monitoring and assessing various existing and emerging risks to insured depository institutions. As of December

31, 2000, the FDIC insured deposits totaling \$3 trillion at 9,905 banks and savings associations and was the primary federal regulator for approximately 5,616 state-chartered nonmember banks whose deposits are covered by FDIC insurance.

### ***OIG Works in Partnership With the FDIC to Focus on Existing and Emerging Risks***

During fiscal year 2000, the OIG's audit, evaluation, and investigative work resulted in about \$41 million in total actual and potential monetary recoveries and benefits. Additionally, our 91 audits and evaluations resulted in 142 non-monetary recommendations to FDIC management to improve internal and cost controls and operational effectiveness in diverse aspects of the Corporation's operations, including information technology, the risk-focused bank examination process, automated systems, contracting oversight, financial management, and asset disposition.

Our investigations during fiscal year 2000 resulted in 79 referrals to the Department of Justice, 27 indictments, 20 convictions, 19 referrals to FDIC management, 12 employee disciplinary actions, and 1 contractor debarment.

While the OIG must work with many others in pursuing our mission of promoting economy, efficiency, and effectiveness in FDIC programs and operations and protecting the Corporation from fraud, waste, and abuse, we still must maintain and preserve our independence. The OIG's independent reviews and analyses, based on professional standards, assist the Congress and the Corporation on difficult and complex issues. Our independence prohibits anyone from impeding an OIG audit or investigation. As I discuss the major issues that face the Corporation and the nature of the OIG's work to address those issues, it will be evident how our independence has allowed us to identify opportunities for cost savings and recoveries or other improvements throughout the Corporation.

### ***Addressing Risks to the Insurance Funds***

A primary goal of the FDIC under its insurance program is to ensure that its deposit insurance funds remain viable. Achievement of this goal is a considerable challenge, given that the FDIC supervises only a portion of the insured depository institutions. Even though the banking industry itself is currently strong, having survived the tumultuous years of crises in the 1980's and escaped the potential negative effects of the coming of Year 2000, there are new risks in the industry. In a December 2000 press release, FDIC Chairman Donna Tanoue stated that it appears that insured institutions have achieved high levels of profitability in recent years, in part, because of an increased appetite for risk. Some of the new risks FDIC has identified include financial institution loan quality, changing economic and financial market conditions, increased reliance on noncore funding, heightened levels of interest rate risk, and increased exposure to market-sensitive revenues.

Also, the enactment of the Gramm-Leach-Bliley Act (Public Law 106-102) in November 1999 created sweeping changes in the banking industry. It allows affiliations between insured banks and financial companies, including securities and insurance firms, and in entities called financial holding companies. The Act also allows national banks to form financial subsidiaries that could engage in financial services that, in general, do not include insurance or real estate development/investment. The megabanks created as a result of mergers and the new services that the institutions can engage in under the Act will no doubt present challenges to the FDIC and may pose new risks to the deposit insurance funds.

Finally, the FDIC believes there are a number of weaknesses in the deposit insurance system. Four of these, in the Corporation's view, need to be corrected promptly:

1. Deposit insurance is provided by two funds at potentially different prices.
2. Deposit insurance cannot currently be priced effectively to reflect risk.
3. Insurance premiums to banks and thrifts are highest at the wrong point in the business cycle.

4. The value of insurance coverage to depositors does not keep pace with inflation in a predictable fashion.

The FDIC has developed reforms that it believes will make the deposit insurance system function more efficiently and fairly. I concur with the Corporation that these are weaknesses in the current system, and some reforms are needed.

### ***Supervising Insured Institutions***

Another challenge to the Corporation is to ensure that its system of supervisory controls will identify and effectively address financial institution activities that are unsafe, unsound, illegal, or improper before the activities become a drain on the deposit insurance funds. To help the FDIC more effectively fulfill its bank supervision responsibilities, the OIG has targeted a number of key areas, including: coordination with other federal and state banking regulators; the Division of Supervision's case manager program; and the compliance examination program, including the frequency, priority, and scope of these examinations as well as Community Reinvestment Act performance evaluations and related programs.

Additionally, emerging technological advancements and the Internet are revolutionizing the financial services industry on a global basis. In order to maintain the integrity of the banking system, the FDIC must continue to take a proactive approach to these emerging technologies by instituting new examination policies and procedures to address the risks arising from these advances. The OIG has reviewed the FDIC's implementation of its risk-focused examination process and we made recommendations to improve examination documentation and supervisory review of the risk-focused examination process in the interest of ensuring uniformity and consistency in the process nationwide. We have also made recommendations relating to (1) the Division of Supervision's use of expanded and impact analysis examination procedures for high-risk areas and (2) the Division of Supervision's examination of regulated institutions' compliance with the Bank Secrecy Act.

A challenge facing the FDIC and the OIG in recent years and the near future is dealing with fraud in federally insured banks and thrifts. While financial institutions have had strong earnings and the insurance funds retain sound reserves, bank failures continue to occur, particularly failures involving apparent fraud. Eight institutions failed in 1999, seven failed in 2000, and the FDIC projects that there could be some failures among small financial institutions in 2001. My Office of Investigations opened criminal investigations related to five of the institutions that failed in 2000 and determined that fraudulent activity was the primary cause of the failure and the resulting losses to the FDIC. The FDIC Chairman has also recognized the greater potential for fraud at banks because recent changes in the business of banking and innovations in computer technology create greater opportunity for financial irregularities. We are also working closely with the Division of Supervision to support training initiatives in the area of fraud.

The OIG is also moving aggressively to investigate fraud in open FDIC-regulated banks. These investigations are important to deter criminal activities in federally insured banks. During the past fiscal year, we entered into a partnership agreement with the FDIC's Division of Supervision and the Legal Division regarding continuous cooperation on open financial institution investigative activities that will help maintain continuing confidence in the FDIC. We also engaged in a joint effort with the Division of Supervision to take advantage of our combined experience in examination techniques, audit techniques, and fraud investigations. This effort resulted in enhancements to the Division of Supervision's current efforts to train their examiners in fraud detection and examination techniques and emphasized the importance of interagency coordination.

Here are some recent results of our work:

- ◆ Following her conviction in April 2000 for obstructing a bank examination and conspiracy, the former Senior Executive Vice President of the now defunct First National Bank of Keystone, Keystone, West Virginia, and President of Keystone Mortgage Company, a subsidiary of the bank, was sentenced to 57 months' imprisonment and fined \$100,000. The former Executive Vice President of the mortgage company who was also convicted at the trial on charges of obstructing a bank examination was sentenced to 51 months' imprisonment and fined \$7,500. Following their incarcerations, both will also be placed on 3 years' probation. The defendants received maximum sentences, in part, for lying under oath. This is part of an ongoing case



which is being investigated by a multi-agency task force that includes the FDIC OIG, the Federal Bureau of Investigation, and the Internal Revenue Service.

The charges against these officials were based on their actions to obstruct an examination of the bank by the Office of the Comptroller of the Currency and the FDIC that ultimately culminated in its closure on September 1, 1999. Among the actions taken to obstruct the examination was the burial of several dump-truck loads of bank documents and microfilm on a ranch owned by one of the convicted officials and her husband. A search of the ranch by investigators resulted in the recovery of buried bank records that filled 370 file boxes. The obstruction investigation and a corresponding investigation of the circumstances leading to the failure of the bank are being conducted by the same multi-agency task force. In April 2001, four additional Keystone employees were charged with insider trading of bank stock; tax evasion; or obstruction of a bank examination. All four defendants are expected to plead guilty to the charges and cooperate in the continuing investigation.

- ◆ The OIG conducted a material loss audit of the failure of Pacific Thrift and Loan Company (PTL), Woodland Hills, California, to determine the causes of the thrift's failure and to evaluate the FDIC's supervision of the thrift. PTL was closed in November 1999 with total assets of over \$117 million. At the time of closure, the FDIC estimated that the Bank Insurance Fund would incur a loss of \$49.9 million and 1 month later projected a \$52 million loss. The loss was exacerbated by PTL's sizeable investment in interest-only residual receivables generated through its securitization program. The OIG review determined that PTL's management did not operate the institution in a safe and sound manner, which led to losses in the thrift's interest-only residual receivables generated in connection with the securitization of subprime loans. The OIG made recommendations for improvement in the supervision process and corporate management agreed with all recommendations. As a result, the FDIC's Division of Supervision issued significant examination guidance regarding subprime lending and asset securitization.

### ***Maximizing Returns from Failed Institutions***

The FDIC's challenge in its receivership management program has been to reduce the financial effects of failing and failed insured depository institutions. The Corporation has focused its efforts on four areas: resolving institutions in the least costly manner, managing and marketing failed-institution assets to maximize return, pursuing monies due to the failed institution, and resolving debts to the institution fairly. As of September 30, 2000, the FDIC managed receivership assets totaling \$1.2 billion in book value and held \$1.7 billion in securitizations. In addition, as of September 30, 2000, in excess of \$1.1 billion was due as a result of outstanding criminal restitution orders.

As the amount of retained assets decreases, the FDIC's asset management and disposition responsibilities will be reduced, and the overall risk associated with this area will decline. Similarly, receivership and resolution activities have lessened. However, two significant risk areas for the FDIC have been securitizations and equity partnerships. These areas are critical because of the large dollar amounts involved and the structure of the transactions. During the last fiscal year, the OIG completed 15 audits related to securitizations and equity partnerships. Our work in this area has resulted in over \$8 million in questioned costs and recommendations to improve the FDIC's oversight.

In partnership with the Corporation's Division of Resolutions and Receiverships, the U.S. Attorneys' Offices, and other federal agencies, the OIG is continuing to identify and pursue investigations of FDIC debtors who have concealed assets or committed other fraud in attempting to avoid repayment of their obligations to FDIC. As a result of this initiative, our office currently has 45 open cases involving debtors suspected of defrauding the FDIC of more than \$288 million.

Some results of OIG investigations over the past year include the following:

- ◆ Following their entry of plea agreements with the United States Attorney in November 1999, three North Carolina developers were sentenced to pay fines totaling \$212,820 and restitution totaling \$7.2 million. Payment of the restitution was split with \$1.5 million going to the FDIC and the remaining \$5.7 million going to the IRS to resolve tax problems. Additionally, each of the three was sentenced to 24 months' probation and ordered to perform 400 hours of community service. The plea agreement was the result of a joint OIG and IRS investigation into allegations that the developers committed tax fraud and provided false financial statements to the former Resolution Trust Corporation (RTC) and an RTC contractor in connection with two non-performing loans the three had with a failed thrift.
- ◆ In April 2000, the FDIC received \$3.1 million from two FDIC debtors in payment of interest that had accrued on debts they previously owed the FDIC. In March 2000, the debtors had paid the FDIC the full principal balance of their debt, which amounted to \$6.5 million, following the initiation of an OIG investigation and the issuance of OIG subpoenas for records. The debtors had borrowed these monies in the late 1980s and early 1990s from several banks that failed in the New England area. As the receiver for the failed banks, the FDIC made substantial efforts to resolve these debts prior to the initiation of our investigation. However, the debtors had made no interest payments to the FDIC, claiming they were insolvent. During the OIG investigation we found that the debtors had significant assets at their disposal that they had concealed from the failed banks and the FDIC.

Our investigators will continue to seek to uncover similar situations in order to help the Corporation receive the restitution it is due.

### ***Managing Information Technology***

Accomplishing information technology goals efficiently and effectively requires significant expenditures of funds and wise decision-making and oversight by FDIC managers. The Corporation's 2001 information technology budget totals about \$181 million. Accordingly, the OIG has focused both audit and investigations on the Corporation's use of these funds. For example, we have investigated the theft of about 50 laptop computers, and our auditors reported that internal controls over laptop computers were inadequate. We have also identified ways to improve application maintenance planning, budgeting, and monitoring based on industry standards. FDIC also has significant exposure to risks due to extensive use of contractors to perform its information technology responsibilities. Active information technology contracts are valued at over \$300 million. We will continue to focus on information technology issues, including systems development, controls over specific applications, and information technology investment decisions.

### ***Ensuring Sound Controls and Oversight of Contracting Activities***

Despite a decline in the number of contracts, the FDIC continues to rely on private-sector contractors to accomplish its mission. Contractors assist the FDIC in many areas, including legal matters, property management, loan servicing, asset management, information technology, and financial services.

The FDIC projects contract awards in 2001 to total about \$360 million. An additional \$20 million is projected to be spent on legal services provided by outside law firms. The OIG continues to commit audit resources to billings by contractors, and we find questioned costs. In fiscal year 2000, the OIG identified \$10.6 million in questioned costs, and thus far, in fiscal year 2001, we have identified \$5.7 million in questioned costs. Our audits often find that contractors do not always adhere to agreed-upon terms of contracts for labor rates and subcontractor mark-ups, and

charge for unallowable expenses. The contractors also do not always provide the services for which the FDIC has paid. FDIC management must decide whether to disallow the questioned costs, which it usually will do based on our reports, and seek to collect refunds or withhold future payments. We will continue to focus on whether FDIC contractors adhere to contract terms and, when appropriate, recommend improvements to the FDIC's contractor oversight.

### ***Other OIG Reviews and Activities***

The OIG continues to work with the U.S. General Accounting Office (GAO) toward transferring full responsibility for the FDIC annual financial statement audit to the OIG. This responsibility is shared between two OIG offices located in Washington, D.C., and Dallas, Texas, and each has adopted a "continuous audit" methodology. This audit approach allows for reporting results of field work and testing simultaneously and provides the client with more current and immediate feedback on issues affecting the Corporation. The GAO presented the results of the fiscal year 2000 financial statement audit to the FDIC Audit Committee in April 2001. The OIG is committed to the effort of assuming the duties of performing the annual FDIC financial statement audit and expects to allocate staff to ensure the successful transfer of this critical function from the GAO to the OIG.

We have also provided oversight of the FDIC's internal control activities under the Chief Financial Officers Act and the Federal Managers Financial Integrity Act. Our review of the Corporation's 2000 Internal Control and Risk Management Program concluded the program followed appropriate policy and was adequate to support the Corporation's *Statement on Internal Accounting and Administrative Controls*.

The OIG also has reviewed and provided advisory comments to FDIC management on the Corporation's *2001 Performance Plan* and *2000 Program Performance Report*. The purpose of our reviews was to provide observations and suggestions for enhancing the Corporation's performance plan and report based on our knowledge and OIG work related to the Government

Performance and Results Act. FDIC management adopted many of our suggestions. In addition, we reviewed the plan and report to determine if they complied with the Results Act and related guidance from the Office of Management and Budget. Further, the OIG has evaluated the degree to which FDIC program offices were verifying and validating information in performance reports. We also conducted a review of the FDIC's 1999 Performance Report in response to a request to inspectors general throughout the government by Senator Fred Thompson. In addition, we are currently reviewing the FDIC's performance measures in response to a request to inspectors general from Congressman Dan Burton. We will continue to assist FDIC management and the Congress in enhancing the implementation of the Results Act.

The OIG has also been assisting FDIC management to contain increases in its costs. Past OIG reviews have shown, and the Corporation has acknowledged, that managers have not always had current and valid information to sufficiently assess business operations. In addition, a sound business case has not always been made before goods and services have been acquired. We have recently completed a study of administrative services functions throughout the Corporation, in conjunction with the Office of Internal Control Management. This study observed opportunities to improve efficiencies, which we anticipate will result in a reduction in costs. We have begun similar studies to identify areas where the Corporation's planning and budgeting processes and internal control and internal review programs could be improved.

We referred 36 substantive Hotline allegations for review during fiscal year 2000 largely related to employee misconduct or contract abuse. The Hotline closed 58 cases during fiscal year 2000, and 21 of these cases were substantiated by further review or investigation. About half of the substantiated cases related to various types of employee conduct, such as misusing government property and time and attendance abuse. The remainder of the substantiated cases related to investigations of issues that originated during RTC/FDIC's resolution of the banking crisis. The investigations primarily involved fraud by persons making false statements regarding assets, especially in the Affordable Housing Program; concealment of assets; or contract abuse.

Also, during fiscal year 2000, we reviewed 48 proposed corporate policies and reviewed 20 draft regulations and proposed legislation, providing comments when warranted. In addition, we responded to 36 Freedom of Information Act and Privacy Act requests for OIG information and appeals during fiscal year 2000.

### ***OIG Management Initiatives***

Since I became Inspector General in April 1996, we have continually sought to enhance the OIG's efficiency and effectiveness. Among our initiatives have been improved planning, a focus on our human resource needs including the diversity of OIG staff, an organizational assessment survey of our staff conducted by the Gallup Organization, and client surveys of FDIC management. These initiatives have helped our office sharpen its focus, use its resources more efficiently, and achieve a greater impact.

The OIG develops its own independent strategic and annual performance plans designed to establish goals and measure our performance consistent with the principles of the Results Act. Our 2000 Performance Report will soon be issued as a component of our next semiannual report. We will report that we met or substantially met 30 of our 36 goals, or 83 percent. In addition, we have established our 2001 Performance Plan, which is included in the information provided to the Subcommittee in support of our budget request.

Importantly, the OIG's credibility depends on a highly talented and multidisciplinary workforce. To maintain that credibility in today's complex and dynamic environment, the OIG must reassess the experience, skills, and focus of staff resources. This reassessment will serve to maximize the value and impact of support the OIG provides to the FDIC. Strengthening our workforce capacity will be particularly important in the next several years to position us for the future in light of our continuing downsizing. One element of our strategic planning has focused on our human resource capabilities and needs. In 1999, the OIG established its own independent, full-service human resources unit. I expect our internal initiatives will continue to meet these human resource needs.

The OIG embraces the FDIC Chairman's commitment to staff diversity by promoting and supporting an inclusive environment that provides all employees, individually and collectively, the chance to work to their full potential in the pursuit of the Corporation's mission. The FDIC Chairman championed the development of the FDIC's first *Diversity Strategic Plan*, which was approved by the Board of Directors in May 1999. The OIG has given its full commitment to this initiative by participating and assisting in implementing all of the Corporation's diversity goals and strategies. In addition to participating in the Corporation's diversity briefings and training, the OIG recently established an Employee Advisory Group to communicate employee issues of concern to the Inspector General. Also, the OIG participated in the FDIC's Organizational Assessment Survey conducted by the Gallup Organization. This survey establishes baselines for each organization in several areas, including general satisfaction with the FDIC, level of employee engagement, and diversity and related issues.

Also, the OIG completed its third external client survey in April 2001 to obtain views and feedback from senior and operating FDIC management in the interest of seeking to constantly improve OIG operations and products. The survey results allow us to assess the quality of our products and the effectiveness of our office in communicating the objectives and results of our work.

During this fiscal year, I continued in my role of Vice Chair of the President's Council on Integrity and Efficiency (PCIE). The Council maintains six standing committees to manage audit, investigation, evaluation, legislation, professional development, and integrity issues and projects in the IG community. In July 2000, I represented the Inspector General community in testimony before the Senate Committee on Governmental Affairs to discuss proposed amendments to the Inspector General Act. My testimony provided the community's view of the proposed amendments, a detailed explanation of the need for statutory law enforcement authority for selected inspectors general, and a synopsis of other legislative changes. Also, during this year, the PCIE issued its *Fiscal Year 1999 Progress Report to the President* attesting to the results of the member Offices of Inspector General of the PCIE and the Executive Council on Integrity and

Efficiency in carrying out the mission of the Inspector General established by the Congress in October 1978.

In addition, I continue to serve as a member of the U.S. General Accounting Office's Advisory Council on Government Auditing Standards. In this capacity, I work to ensure that the professional standards that guide much of the OIG's work continue to make sense, given the dynamic nature of the federal government and the ever-changing environments in which federal agencies operate.

### ***Fiscal Year 2001 and 2002 Workload Plans***

Our budget will result in about the same level of audit and investigative activity for fiscal year 2002 compared to fiscal year 2001, and this is consistent with our planned downsizing. The proposed fiscal year 2002 budget provides funds to cover increased salaries and benefits costs, other inflation-related increases, and equipment for the OIG to further implement its electronic crimes team. The OIG is budgeting less than in previous years for audit contracts to be used in the event of unforeseen severe problems in the banking industry.

In fiscal year 2001, the OIG will continue to focus on areas of interest to the Congress, such as, the Government Performance and Results Act and the Government Information Security Reform Act which require specific Inspector General studies. We will continue to address areas posing the highest risk to the Corporation and deposit insurance funds. We will also target our audit coverage to areas of greatest corporate importance consistent with the Corporation's Strategic Plan. Among specific audit work planned, we will continue to oversee the Corporation's large investment in information technology initiatives, including automated systems development and security over access to information. Also, we will continue to review contract award administration and oversight, the supervision of insured institutions, and play a greater role in our cooperative effort with the U.S. General Accounting Office to audit the FDIC's financial statements. Investigative work will focus on investigations of fraud contributing to the failure of FDIC insured institutions,



fraud by debtors attempting to avoid repaying their obligations to the FDIC, fraudulent misrepresentation of FDIC insurance that results in victimizing individuals who rely on the guarantee of the FDIC name, fraud by FDIC contractors, and employee fraud. The OIG also is committed to meet the needs of the FDIC and the banking community to combat electronic fraud. As a result, in anticipation of future work in investigating computer crimes, we established an electronic crimes team that is being trained to investigate complex computer fraud, carry out investigations regarding network intrusions, and conduct computer forensic examinations. Finally, our efforts to improve the OIG's efficiency and effectiveness will continue.

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Mr. Chairman, throughout my statement I have discussed existing and emerging risks to the Corporation and its insurance funds. Also, I have addressed how my office is working with the Corporation in partnership to address these risks and help make FDIC programs work better. The FDIC Chairman has continued to be supportive of the OIG and has been receptive to our work.

In closing, I believe very strongly that the OIG continues to demonstrate it is a valued asset to the FDIC, and I am proud of the work and accomplishments of my staff. Having said that, I realize my office must continue to improve and work more efficiently and effectively with the Corporation. I believe many of the Corporation's initiatives and our own internal process advancements will allow for such improvements. Although I do not anticipate it at this time, our downsizing through Corporation initiatives and attrition may have an adverse impact on our critical skills, and I may need to revisit our budget and staffing levels with you in the future. I would like to thank the Subcommittee for its commitment and urge your continued support of our work.

Additional details supporting our budget request are in documents that have been provided to the Subcommittee staff.